

## Small Medium and Micro Enterprises and Entrepreneurship Working Group Matrix

Highlighted cells indicate U.S. Action

Agenda Item	US Member	US ABAC position/action	USG Position if known or applicable	Other economy positions
2. SMEs access to finance: Trade Related Finance and Regulations	David Boman	<ul style="list-style-type: none"> <li>ABAC USA will monitor</li> </ul>	<ul style="list-style-type: none"> <li>USG is supportive of policies that support SMEs</li> <li>The Obama Administration has been supportive of SMEs and passed the Small <i>Business</i> Jobs Act which improves access to finance for SME in 2010. It has recently updated the Jobs Act which extends benefits for varying terms (2011 or 2012)</li> </ul>	
3. Malaysia's experience on SME access to finance and internationalization	David Boman	<ul style="list-style-type: none"> <li>ABAC USA will monitor</li> </ul>		
4. China: SMEs access to finance	David Boman	<ul style="list-style-type: none"> <li>ABAC USA will monitor</li> </ul>		
5. APEC Startup Accelerator program	David Boman	<ul style="list-style-type: none"> <li>ABAC USA will monitor</li> </ul>		
6. Promoting Entrepreneurship: Chile Start-up Program	David Boman	<ul style="list-style-type: none"> <li>ABAC USA will monitor</li> </ul>		
7. Pathfinder Project	David Boman	<ul style="list-style-type: none"> <li>ABAC USA will monitor</li> </ul>		
8. Report on China APEC SME Summit	David Boman	<ul style="list-style-type: none"> <li>ABAC USA will monitor</li> </ul>		
Other Business: Women in Business – AWF		<ul style="list-style-type: none"> <li>ABAC USA will propose that the ABAC consider developing a report demonstrating the benefits that increased engagement of women in the economy has for business in the ABAC Women's Forum luncheon the previous day</li> </ul>	<ul style="list-style-type: none"> <li>USG is generally supportive of business engagement on this issue</li> </ul>	<ul style="list-style-type: none"> <li>ABAC Chinese Taipei primarily drives this issue in the ABAC</li> </ul>

Document: SMMEEWG 33-001  
 Draft: **FIRST**  
 Source: SMMEEWG Chair  
 Date: 8 January 2013  
 Meeting: Manila, Philippines

**SME and Micro-enterprise (SMME) & Entrepreneurship Working Group**  
**First ABAC Meeting for 2013, Manila**  
**Time: 10.45-12.45, Tuesday January 22<sup>nd</sup>, 2013**

**AGENDA**

<b>Agenda Item No.</b>	<b>Issue</b>	<b>Lead Economy/ Speaker</b>	<b>Doc. No.</b>
1.	Welcome and introductory remarks from the Chair 1.1 Approval of the ABAC IV SMMEEWG meeting minutes 1.2 Approval of the ABAC I 2013 Agenda 1.3 SMMEEWG 2013 Work Program	ABAC Peru Mr. Juan Francisco Raffo	SMMEEWG 32-034
	<b>Policy Development in Promoting Sustainability of Businesses, in particular in Access to Finance</b>		
2.	SMEs access to finance: Trade Related Finance and Regulations.	ABAC Japan Mr. Yoshihiro Watanabe	
3.	Malaysia's experience on SME access to finance and internationalization	ABAC Malaysia Ms. Tan Sri Azman	
4.	China : SMEs access to finance	ABAC China	
	<b>Policies Promoting the Creation of New Businesses and Business Models</b>		
5.	APEC Startup Accelerator program	ABAC Chinese Taipei	
6.	Promoting Entrepreneurship: Chile Start-up Program	ABAC Chile	
	<b>Policies that Facilitate the Use of IT to Empower SME Access to International Markets</b>		
7.	Pathfinder Project	ABAC China Ms. Diane Wang	
8.	Report on China APEC SME Summit	ABAC China Ms. Diane Wang	
	<b>Any other business</b>		
	Women in Business - AWF	ABAC Chinese Taipei Ms. Cher Wang	
9.	Closing Remarks		

Document: SMMEEWG 33-002

Draft: **FIRST**

Source: ABAC China

Date: 8 January 2013

Meeting: Manila, Philippines

**Document Title:**

**Suggestions on Policy Solutions for SME Finance**

**Purpose:**

For consideration

**Issue:**

SME Finance

**Background:**

Since 2012, the SMEs, especially those of the emerging markets, are faced with huge challenges. On the one hand, although some economies have cut benchmark interest rate for stimulating economy, European Debt Crisis leads to less liquidity of global financial markets and bank credit for SMEs, making it still difficult for SMEs to seek for funding. On the other, rapid rising cost of raw material and labor since 2012 has increased by a large margin the operation cost of corporations. At the same time, bills decline due to saggy demand from European and U.S. market. All the above factors lead to shrinking profitability decline, increasing operation difficulty and bankruptcy. The current challenges faced by SMEs in their operation and funding is even bigger than that during the GFC period of 2008.

**Proposal /Recommendations:**

- Develop SME financing system and step up policy support.
  1. Set up and enhance a policy-based finance system for SMEs.
  2. Facilitate the establishment of a multi-layer direct funding system.
  3. Enhance the macro environment for SME operation.
  4. Increase fiscal subsidy and favorable taxation treatment for SMEs.
  5. Increase educational support.
- Stronger support from financial institutions.
- Solving SME financing difficulty by insurance mechanism.
- Greatly promote private financial credit mechanism with multiple forms.
- Promote innovation of SME finance forms.
  1. Actively promote supply chain financing.
  2. Greatly promote financing through leasing.

**Decision Points:**

- Endorse the recommendations outlined above.

# Suggestions on Policy Solutions for SME Finance

Madam Wang Lili, ABAC China Representative

SMEs play important roles in economic and social development, especially in creating jobs and promoting innovation. If we take both end products and service value into account, nearly 60% of our GDP is contributed by SMEs. They also account for 50% of the national taxation, offer 75% of all jobs in urban areas, apply for 65% of patents and 82% of new products. Yet it is well recognized that financing problem of SMEs is a world-wide issue. From the starting of business to business expansion, among all the problems, financing is the one difficulty that hampers a SME's whole life cycle. If this problem cannot be properly solved in the long run, it will have negative impact on the comprehensive, coordinated and sustainable development of the region's economy and society.

## **I. Bigger challenge for SME operation and finance since 2012**

The global financial crisis dampens the macro environment of the APEC region, wherein the SMEs develop and operate. Sharp decline in external demand and credit crunch has made financing more difficult, leading to increasing shut-down of SMEs in the region. But economies of the region have rolled out countermeasures timely to step up fiscal, taxation and credit support to SMEs and improve the macro environment and positive improvements are showing in SME operation. This also contributes to successful combating of the GFC. Since 2012, as result of European Debt Crisis, global economy has been on the track of sustainable slowdown, yet slowing export and consumption have been the common challenge for emerging markets of the region.

Under such circumstance, the SMEs, especially those of the emerging markets, are faced with huge challenges. On the one hand, although some economies have cut benchmark interest rate for stimulating economy, European Debt Crisis leads to less liquidity of global financial markets and bank credit for SMEs, making it still difficult for SMEs to seek for funding. On the other, rapid rising cost of raw material and labor since 2012 has increased by a large margin the operation cost of corporations. At the same time, bills decline due to saggy demand from European and U.S. market. All the above factors lead to shrinking profitability decline, increasing operation difficulty and bankruptcy. The current challenges faced by SMEs in their operation and funding is even bigger than that during the GFC period of 2008.

Economies of the region are increasing their support to solve SME funding difficulties. Take China for instance, financial institutions of the country endeavor to improve SME's access to bank loans. In 2011, loans outstanding extended to SMEs in China reached 21.8 trillion CNY, an increase of 18.6% as compared to last year, and 7.1 percentage points higher than the growth rate of bank loans extended to large corporations. During the first half of 2012, loans outstanding extended to SMEs in China reached 10.87 trillion

CNY, an increase of 21.4% as compared to last year, and 10.1 percentage points higher than the growth rate of bank loans extended to large corporations.

## **II. Suggestions and proposals of ABAC on financing difficulties of SMEs**

During recent years, ABAC keeps close attention on the funding difficulties of SMEs, and many economies have come up with suggestions and solutions in this regard. Following is our conclusion on the cause analysis and policy solution of SME funding difficulty.

### **1. Causes and restrictions of SME financing difficulty**

Madam Wang Lili, ABAC China Representative pointed out on the CEO Summit 2007 that SMEs are playing increasing important role in economic development of the region, yet SME finance challenge is still common in the region, with reasons as below. First is limited access to direct finance. SMEs, who find it difficult to reach the threshold of security markets, are still faced with many restrictions on corporate bond issuance. Second is lack of indirect financing channel. Banks are unwilling to lend to SMEs due to the information mismatch, lack of a sound guarantee system and high lending costs.

Financial Strength Building Consultation Team pointed out at 2nd ABAC Meeting 2011 in Seoul that, restrictive factors in information and legal environment is the primary cause behind SME finance difficulty, followed by regulation, taxation and lack of government support.

### **2. Suggestions on Policy solutions for SME finance**

#### **(1) Financial institutions should play a facilitative role**

Madam Wang Lili, ABAC China Representative pointed out at the CEO Summit 2007 that financial institutions need to enhance their SME finance cost accounting capability, design a credit review procedure dedicated to SME finance, improve risk pricing capability and develop a risk pricing model for lending to SMEs, improve guidance and service to SMEs, enhance SME lending information, and establish a rational SME credit rating system.

Madam Wang Lili, ABAC China Representative put forward her view on how financial institutions should improve their ability to provide funding support to SMEs in her conversation with APEC senior management at the 1<sup>st</sup> ABAC Meeting 2011 in Guangzhou. She believes that banks should be encouraged to enhance their service provided to SMEs and reduce their cost thereof, re-define the different categories of small, medium and micro-enterprises, and improve their business procedures and efficiency. Besides conventional service like settlement and loans, banks should also provide SMEs services including e-banking, cash management, financial consultancy, corporate annuity

management, etc., and help their SME clients to improve business operation and management.

In the SME Financing forum of the 2nd ABAC SME Summit held on August 3rd, Madam Wang Lili, ABAC China Representative pointed out that, decline of SME profitability and increase of SME loan repayment default is making it more difficult for SMEs to get financial support, and banks should focus on providing more convenient and efficient financial service. Now ICBC has notably improved its loan approving efficiency by streamlining operational procedures and decentralizing loan review authority; yet the bank's efficiency needs to be further improved meet SME funding needs, which are usually short in tenor and high in frequency. Banks should consider granting SME a revolving credit line, or providing multi-function bank cards which allow SMEs to conduct settlement and financing by self-service. Currently commercial banks have rolled out many innovative products. SMEs should also communicate more with banks and promote themselves to banks so that banks could understand them better. SMES should also study the financing products of banks to find out more cost-effective funding support, and build up their proprietary financing capability.

## **(2)Improve the external environment for SMEs**

Financial strength building consultation team put forward a program in 2nd ABAC Meeting 2011 in Seoul, which points out that reforming measures to improve information and legal environment can build up the ability of SMEs in getting funding support. In this agenda, it is proposed that the Finance Ministers of APEC should adapt measures to develop structured credit information sharing system and legal infrastructure. On the one hand, financing information sharing system should be put in place, providing a policy framework to manage credit management institutions, data providers and users, and on this basis, providing comprehensive financing information to private and public credit management institutions. On the other hand, we should gradually develop legal framework on SME funding and promote regional harmony.

At the 1st ABAC meeting 2010 in Melbourne, Mr.Twatchai, ABAC Thailand Representative talked about asset-backed loans for SMEs. He pointed out that most SMEs are unable to use land and real estates as collateral, therefore loans backed by tangible and intangible assets can help SMEs get financing. He emphasized the importance of a developed legal regulatory framework for SME asset-backed loans. According to him, in Thailand, a new legislation on building up legal framework on asset-banked loans has been submitted to the congress.

The report submitted by ABAC to APEC leaders in 2010 on how to promote SME IT application ability points out that, economies should define the advantages of SME IT application and the barriers therein, and gradually reduce the cost of SME IT application.

### **(3) Increase government support to SME finance**

Madam Wang Lili, ABAC China Representative put forward her view on how to improve government ability to support SME funding in her conversation with APEC senior management at the 1<sup>st</sup> ABAC Meeting 2011 in Guangzhou. She believes that governments and regulators should give accurate guidance and specific requirements to figure out a better solution for SME finance. Another thing governments can do is to speed up the building up of SME credit system and direct funding market. It is very important to establish a social credit system and credit information platform covering the credit information of SMEs and their owners, otherwise commercial banks will have to rely on collateral, guarantee, or give up lending to their medium or small-sized clients without collaterals, whose credit situation they don't have. At the same time, governments should develop guarantee system for SMEs. Some guarantee institutions are unregulated in funding and operations and their repayment is unsecured, therefore governments should designate an agency to engage in SME guarantee to prevent systematical risk that might be incurred. The expanding of the direct financing channel for SMEs is helpful for consolidating the financial strength and reducing cost of SMEs, and a mature second board is also crucial.

The report submitted by ABAC to APEC leaders in 2010 points out that, governments should reform their current education system and curriculum, adding teaching on some techniques that are closely related to SMEs, on starting a business and entrepreneurship, so as to improve the creativity, innovation and technical skills of SME employees.

### **(4) How APEC and ABAC can help SME finance**

The report submitted by ABAC to APEC leaders in 2009 on how ABAC is going to help improve the ability of SMEs in getting financing support points out that, ABAC will work together with APEC to hold the APEC SME Summit, providing a communication platform for SMEs and exhibit the achievement of SMEs in the region. At the same time, ABAC will urge the public and the private sectors to build a SME innovation supply chain, so as to solve the bottleneck in SME finance.

The report submitted by ABAC to APEC leaders in 2010 points out that, a series of business conducts and standards should be formed for SMEs in catering, standards of souvenirs, donation, study & research and consultation, etc. In 2007 ABAC helped to formulate the APEC codes of conduct for businesses, in an effort to gradually establish conduct standards for industries and trades in APEC regions.

## **III. Suggestions on policies to solve SME financing difficulties**

SMEs are large in number, engaged in various industries, and at different development stages. Therefore their financing demands are different and needs to be met through

multiple forms. Dedicated, comprehensive and concerted efforts should be made to sort out a solution for SME funding.

## **1. Develop SME financing system and step up policy support.**

### **(1)Set up and enhance a policy-based finance system for SMEs.**

A non-profit-making, policy-based SME financial system set up by the government that is engaged directly or indirectly in SME finance under the guidance of the government is the successful experience of some economies in solving the financing difficulties of SMEs. APEC economies should, on the one hand, step up legal and policy support to SMEs, formulate relevant legislation and supportive policies to facilitate the establishment of this system; on the other, set up policy-based credit institutions for SMEs, which is the fundamental part for a policy-based SME finance system, and the vehicle through which both developed and developing economies are able to extend loans to SMEs directly to bridge their funding gap. Thirdly, credit guarantee system should be further improved. Strong competition among SMEs, lack of effective asset collateral and credit guarantee makes financial institutions less comfortable and less willing to lend to SMEs. While a developed SME credit system can solve the mismatch of information among the funding provider, the investor or the debtor and persuade them to provide more funding to SMEs, so as to facilitate the development of SMEs with growth potential. Fourthly, a SME financing information sharing system should be developed. SMEs should be encouraged to release their financing information, and we should safeguard the confidentiality of data, ensure the value and categorization of data collected, enhance financial sustainability, and improve the systematical value of the corporate participants. At the same time, we can consider to expand the prospective of the sub-system, and promote the cross-border development of SMEs.

### **(2)Facilitate the establishment of a multi-layer direct funding system.**

In recent years, capital market has definitely played an important role in SME funding. Governments should step up the building of a multi-layer capital market system to better satisfy the funding demand of SMEs. Firstly, a guidance system should be put in place for SME IPO. Favorable conditions should be created for SMEs, so as to facilitate the development of venture capital markets, and bring in more venture capital into SME financing market. Secondly, an over-the-counter market should be developed for SMEs. An effective over-the-counter market should be set up for the share-participation finance and share transfer of many SMEs that are unqualified for IPO. Here an over-the-counter market refers to a stock transfer agency system or a local equity market. And the stock transfer agency system should be the main part of the over-the-counter market. Thirdly, we should increase funding through bond issuance and develop SME bond market. On the basis of further improving inter-bank bond market, we should remove to a proper extent the restriction on bond issuance by SMEs, streamline approval procedures,



improve approval efficiency, step up information exchange, ensure fair, equal and open practice, so as to facilitate for SME funding through bond market.

### **(3) Enhance the macro environment for SME operation.**

To enhance the ability of SMEs in getting financing, governments should carry out relevant legislations and regulations, improve relevant fiscal, taxation, financial and related administrative measures, remove institutional barriers, so as to create a better environment for SMEs to improve their core competitiveness.

### **(4) Increase fiscal subsidy and favorable taxation treatment for SMEs.**

Governments should lend some fiscal aid or subsidy to encourage SMEs to create jobs, promote scientific and technological advancement and to increase export. Major types of subsidy might include: employment subsidy, research and study subsidy and export subsidy, etc. At the same time, governments should reduce taxation and fees to a proper level, formulate fair and reasonable taxation policies, and improve enforcement transparency. Taxation and fee reduction should be applied to high-tech SMEs or those with great market potential.

### **(5) Increase educational support**

Governments should gradually reform the practice and curriculum of nation-wide education to add teachings on SME-related techniques, on starting a business and entrepreneurship, so as to improve the nation's innovation ability and readiness and technical skills, laying human resources foundation for long-term development of SMEs.

## **2. Stronger support from financial institutions.**

Economies of APEC regions should promote SME funding in the following three aspects: firstly, central governments should standardize and guide the positive role of informal finance in supporting SME development, encourage the establishment of small-sized regional joint-stock private banks, and arrange the rational division of credit function wherein big banks lend to big corporations, while small banks lend to smaller corporations. Secondly, local governments should set up gradually risk reimbursement funds for SME loans, and develop SME credit risk sharing system. Thirdly, financial institutions should increase funding to SMEs, take SME funding as the strategic focus of corporate financing, and adapt supportive measures in their organizational structure, product and service innovation, marketing strategy, and risk prevention. Financial institutions should create their own service and business procedures model in this regard, enhance SME loan approval efficiency and service quality, steadily increase the proportion of SME lending to total lending, increase lending and diversified funding support to SMEs with sound credit record, market advantage, competitiveness, strong customer base and temporary operation and financial difficulties; actively seek to create

funding products and services that cater to SMEs in different geographical locations or in different development stages; expand funding channels for SMEs by diversified means like Letter of Credit issuance, refinancing, factoring, leasing, etc.; provide financial information consultation and wealth management agency service, develop credit risk management tools with SME loans as the underlying asset to effectively disperse SME credit risks, and step up SME funding data collection and information submission, probe to establish a dynamic funding information surveillance system that caters to SME characteristics, to ensure timely access to SME financial service information.

### **3. Solve SME financing difficulty by insurance mechanism.**

Solving technical risk is the key to SME financing difficulty. And insurance is a feasible mechanism to cover marketization risks, since it can directly reduce banks' credit risk, and scatter risks through professional risk management. Insurance can reduce information mismatch. Credit guarantee can be upgraded by combining with insurance, reducing information mismatch and creating a sound environment for SME funding. In this connection, firstly, insurance can provide risk coverage for SMEs, and introduce to SME scientific risk management mechanism, improving their risk prevention ability, overall ability and credit level; secondly, we should develop credit insurance to expand SME funding support. Credit insurance for micro credit without collateral and guarantee should be developed to provide insurance support to SME funding; thirdly, we should actively innovate insurance mechanism, focus on insurance product innovation for SMEs and roll out insurance products that can meet the actual needs of SMEs.

### **4. Greatly promote private financial credit mechanism with multiple forms.**

One manner is to develop private lending agencies association to provide necessary information and legal consultancy service to the lenders and the borrowers, and to strengthen self-discipline and institutional arrangement of private lending agencies; another way is to set up a private lending credit guarantee mechanism, and approve the setting up of private lending guarantee agencies; allow SME investment companies to be engaged in guarantee business to solve the mismatch between incentive and restriction of guarantee agencies, encourage and support the healthy development of private guarantee agencies; thirdly, integrate private financing sector by market means like join-stock and cooperative arrangement to enhance the overall quality of the sector; encourage un-official financing agencies to form regional credit alliance organization, establish and enhance the institution and mechanism of such alliance organization; fourthly, encourage some alliance organization to gradually transform into community banks or commercial lending agencies.

### **5. Promote innovation of SME finance forms**

#### **(1) Actively promote supply chain financing**

Supply chain financing is the practice wherein a bank, on the basis of analyzing the internal transaction structure of a supply chain, the supply chain itself and every transaction, provides comprehensive financial service to individual corporation or corporations at the upstream or downstream of the chain, preceding from the capability of the core corporation. Supply chain financing looks at SMEs as an integral and interactive part of a supply chain from the perspective of fund flow, and solves the funding difficulty of SMEs within the framework of the strengthen of the core enterprise. It speeds up the turnover of goods stock and accounts receivable, improves cash flow, facilitates the synergetic flow of goods and fund and improves the financial management efficiency of supply chain. Banks can also reduce their credit risk by keeping a watch on the operational situation of corporations. Supply chain financing is an innovation in SME funding and it provides a way out of the bottleneck in the philosophy and technique of SME funding. The cost-to-income ratio is improved through a group buying style development and risk control model, and scale of economy is achieved.

## **(2) Greatly promote financing through leasing.**

Leasing is a new channel for SME funding which brings together by certain procedures funds and equipment in short time and at low cost. It is a new financial industry that integrates the supply of funding, equipment, trade and technology. Compared to bank loans, leasing can improve funds usage efficiency, fend off economic risks, and prolong funding tenor. Therefore, governments should greatly encourage the development of leasing companies, support SME development by equipment leasing and equipment loans, promote equipment leasing among SMEs, study and promote market innovation, expand the business portfolio of lessors, and allow lessors to build up their financial strength by borrowing from banks, issuing bonds to public or raising funding from institutional investors through right issuance.




## I. Bigger challenge for SME operation and finance since 2012

The global financial crisis dampens the macro environment of the APEC region, wherein the SMEs develop and operate.

Counter-measures: Economies of the region have rolled out countermeasures timely to step up fiscal, taxation and credit support to SMEs and improve the macro environment and positive improvements are showing in SME operation.

**Situation for SMEs is grave both in 2008 and 2012**

Since 2012, SMEs in emerging markets are faced with huge challenges. On the one hand, although some economies have cut benchmark interest rate for stimulating economy, European Debt Crisis leads to less liquidity of global financial markets and bank credit for SMEs, making it still difficult for SMEs to seek for funding. On the other, rapid rising cost of raw material and labor since 2012 has increased by a large margin the operation cost of corporations. At the same time, bills decline due to saggy demand from European and U.S. market. All the above factors lead to shrinking profitability decline, increasing operation difficulty and bankruptcy.



## I. Bigger challenge for SME operation and finance since 2012

Tight funding in the market

Hiking operation costs

Declining market demand

➔

SME profitability shrinking

➤ Economies of the region are increasing their support to solve SME funding difficulties.

➤ Take China for instance, financial institutions of the country endeavor to improve SME's access to bank loans. In 2011, loans outstanding extended to SMEs in China reached 21.8 trillion CNY, an increase of 18.6% as compared to last year, and 7.1 percentage points higher than the growth rate of bank loans extended to large corporations. During the first half of 2012, loans outstanding extended to SMEs in China reached 10.87 trillion CNY, an increase of 21.4% as compared to last year, and 10.1 percentage points higher than the growth rate of bank loans extended to large corporations.



## II. Suggestions of ABAC on financing difficulties of SMEs

1 Causes and restrictions of SME financing difficulty

2 Suggestions on Policy solutions for SME finance

Financial institutions should play a facilitative role

Improving the external environment for SMEs

Increase government support to SME finance

How APEC and ABAC can help SME finance



## Causes and Restrictions for SME Financing Difficulty

1

Madam Wang Lili, ABAC China member pointed out on the CEO Summit 2007 that SMEs are playing increasing important role in economic development of the region, yet SME finance challenge is still common in the region, with reasons as below. First is limited access to direct finance. SMEs, who find it difficult to reach the threshold of security markets, are still faced with many restrictions on corporate bond issuance. Second is lack of indirect financing channel. Banks are unwilling to lend to SMEs due to the information mismatch, lack of a sound guarantee system and high lending costs.

2

Advisory Group on APEC Financial System Capacity Building pointed out at 2nd ABAC Meeting 2011 in Seoul that, restrictive factors in information and legal environment is the primary cause behind SME finance difficulty, followed by regulation, taxation and lack of government support.



## Suggestions on Policy Solutions for SME Finance

Financial institutions should play a facilitative role

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Madam Wang Lili, pointed out at the CEO Summit 2007 that financial institutions need to enhance their SME finance cost accounting capability, design a credit review procedure dedicated to SME finance, improve risk pricing capability and develop a risk pricing model for lending to SMEs, improve guidance and service to SMEs, enhance SME lending information, and establish a rational SME credit rating system.



## Suggestions on Policy Solutions for SME Finance

Financial institutions should play a facilitative role

2

Madam Wang Lili put forward her view on how financial institutions should improve their ability to provide funding support to SMEs in her conversation with APEC SOM at the 1st ABAC Meeting 2011 in Guangzhou. She believes that banks should be encouraged to enhance their service provided to SMEs and reduce their cost thereof, re-define the different categories of small, medium and micro-enterprises, and improve their business procedures and efficiency. Besides conventional service like settlement and loans, banks should also provide SMEs services including e-banking, cash management, financial consultancy, corporate annuity management, etc., and help their SME clients to improve business operation and management.



## Suggestions on Policy Solutions for SME Finance

**Financial institutions should play a facilitative role**

**3** In the SME Financing forum of the 2nd ABAC SME Summit held on August 3rd, Madam Wang Lili pointed out that, decline of SME profitability and increase of SME loan repayment default is making it more difficult for SMEs to get financial support, and banks should focus on providing more convenient and efficient financial service. Now ICBC has notably improved its loan approving efficiency by streamlining operational procedures and decentralizing loan review authority; yet the bank's efficiency needs to be further improved meet SME funding needs, which are usually short in tenor and high in frequency. Banks should consider granting SME a revolving credit line, or providing multi-function bank cards which allow SMEs to conduct settlement and financing by self-service. Currently commercial banks have rolled out many innovative products. SMEs should also communicate more with banks and promote themselves to banks so that banks could understand them better. SMES should also study the financing products of banks to find out more cost-effective funding support, and build up their proprietary financing capability.



## Suggestions on Policy Solutions for SME Finance

**Improve the external environment for SMEs**

1


Advisory Group on APEC Financial System Capacity Building put forward a program in 2nd ABAC Meeting 2011 in Seoul, which points out that reforming measures to improve information and legal environment can build up the ability of SMEs in getting funding support.

2

At the 1st ABAC meeting 2010 in Melbourne, Mr.Twatchai, ABAC Thailand member talked about asset-backed loans for SMEs. He pointed out that most SMEs are unable to use land and real estates as collateral, therefore loans backed by tangible and intangible assets can help SMEs get financing. He emphasized the importance of a developed legal regulatory framework for SME asset-backed loans.

3

The report submitted by ABAC to APEC leaders in 2010 on how to promote SME IT application ability points out that, economies should define the advantages of SME IT application and the barriers therein, and gradually reduce the cost of SME IT application.





## Suggestions on Policy solutions for SME finance

### Increase government support to SME finance

1

Madam Wang Lili put forward her view on how to improve government ability to support SME funding in her conversation with APEC SOM at the 1st ABAC Meeting 2011 in Guangzhou. She believes that governments and regulators should give accurate guidance and specific requirements to figure out a better solution for SME finance. Another thing governments can do is to speed up the building up of SME credit system and direct funding market. It is very important to establish a social credit system and credit information platform covering the credit information of SMEs and their owners, otherwise commercial banks will have to rely on collateral, guarantee, or give up lending to their medium or small-sized clients without collaterals, whose credit situation they don't have. At the same time, governments should develop guarantee system for SMEs. Some guarantee institutions are unregulated in funding and operations and their repayment is unsecured, therefore governments should designate an agency to engage in SME guarantee to prevent systematical risk that might be incurred. The expanding of the direct financing channel for SMEs is helpful for consolidating the financial strength and reducing cost of SMEs, and a mature second board is also crucial.



## Suggestions on Policy solutions for SME finance

### Increase government support to SME finance

2

The report submitted by ABAC to APEC leaders in 2010 points out that, governments should reform their current education system and curriculum, adding teaching on some techniques that are closely related to SMEs, on starting a business and entrepreneurship, so as to improve the creativity, innovation and technical skills of SME employees.




## Suggestions on Policy Solutions for SME Finance

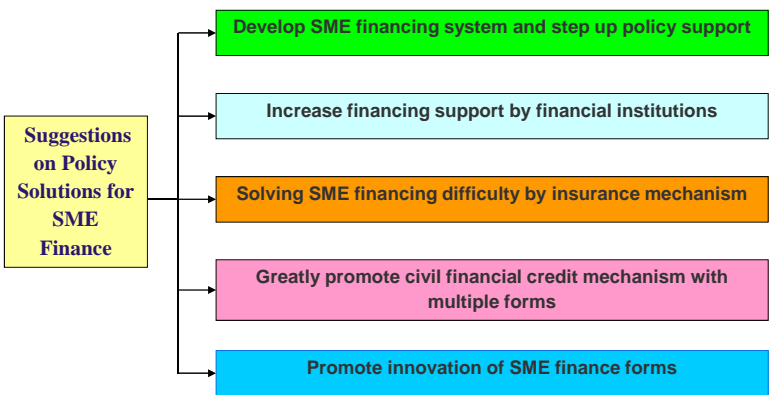
**How APEC and ABAC can help SME finance**

The report submitted by ABAC to APEC leaders in 2009 on how ABAC is going to help improve the ability of SMEs in getting financing support points out that, ABAC will work together with APEC to hold the APEC SME Summit, providing a communication platform for SMEs and exhibit the achievement of SMEs in the region. At the same time, ABAC will urge the public and the private sectors to build a SME innovation supply chain, so as to solve the bottleneck in SME finance.

The report submitted by ABAC to APEC leaders in 2010 points out that, a series of business conducts and standards should be formed for SMEs in catering, standards of souvenirs, donation, study & research and consultation, etc. In 2007 ABAC helped to formulate the APEC codes of conduct for businesses, in an effort to gradually establish conduct standards for industries and trades in APEC regions.




## III. Suggestions on Policy Solutions for SME Finance



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graph LR
    A[Suggestions on Policy Solutions for SME Finance] --> B[Develop SME financing system and step up policy support]
    A --> C[Increase financing support by financial institutions]
    A --> D[Solving SME financing difficulty by insurance mechanism]
    A --> E[Greatly promote civil financial credit mechanism with multiple forms]
    A --> F[Promote innovation of SME finance forms]
    
```



### III. Suggestions on Policy Solutions for SME Finance

**Develop SME financing system and step up policy support**

What Governments of APEC Economies Should Focus on


1. Set up and enhance a policy-based finance system for SMEs
2. Facilitate the establishment of a multi-layer direct funding system
3. Enhance the macro environment for SME operation
4. Increase fiscal subsidy and favorable taxation treatment for SMEs
5. Increase educational support



### Develop SME finance system and step up policy support

**Set up and enhance a policy-based finance system for SMEs.**

- Step up legal and policy support to SMEs, formulate relevant legislation and supportive policies to facilitate the establishment of this system
- Set up policy-based credit institutions for SMEs, which is the fundamental part for a policy-based SME finance system, and the vehicle through which both developed and developing economies are able to extend loans to SMEs directly to bridge their funding gap
- Credit guarantee system should be further improved. a developed SME credit system can solve the mismatch of information among the funding provider, the investor or the debtor and persuade them to provide more funding to SMEs, so as to facilitate the development of SMEs with growth potential.
- A SME financing information sharing system should be developed. SMEs should be encouraged to release their financing information. At the same time, we can consider to expand the prospective of the sub-system, and promote the cross-border development of SMEs.



## Develop SME finance system and step up policy support

**Facilitate the establishment of a multi-layer direct funding system**

A guidance system should be put in place for SME IPO

→

•Favorable conditions should be created for SMEs, so as to facilitate the development of venture capital markets, and bring in more venture capital into SME financing market.

An over-the-counter market should be developed for SMEs


→

•An effective over-the-counter market should be set up for the share-participation finance and share transfer of many SMEs that are unqualified for IPO. Here an over-the-counter market refers to a stock transfer agency system or a local equity market. And the stock transfer agency system should be the main part of the over-the-counter market.

Develop SME bond market

→

•On the basis of further improving inter-bank bond market, we should remove to a proper extend the restriction on bond issuance by SMEs, streamline approval procedures, improve approval efficiency, step up information exchange, ensure fair, equal and open practice, so as to facilitate for SME funding through bond market.



## Develop SME finance system and step up policy support

Enhance the macro environment for SME operation

→

Governments should carry out relevant legislations and regulations, improve relevant fiscal, taxation, financial and related administrative measures, remove institutional barriers, so as to create a better environment for SMEs to improve their core competitiveness

Increase fiscal subsidy and favorable taxation treatment for SMEs


→

Governments should lend some fiscal aid or subsidy to encourage SMEs to create jobs, promote scientific and technological advancement and to increase export. Major types of subsidy might include: employment subsidy, research and study subsidy and export subsidy, etc. At the same time, governments should reduce taxation and fees to a proper level, formulate fair and reasonable taxation policies, and improve enforcement transparency.

Increase educational support

→


Governments should gradually reform the practice and curriculum of nation-wide education to add teachings on SME-related techniques, on starting a business and entrepreneurship, so as to improve the nation's innovation ability and readiness and technical skills, laying human resources foundation for long-term development of SMEs.





## Stronger support from financial institutions

<b>Organizational Structure</b>	Create their own service and business procedures model to enhance SME loan approval efficiency and service quality.
<b>Expanding financing channel</b>	Actively seek to create funding products and services that cater to SMEs in different geographical locations or in different development stages; expand funding channels for SMEs by diversified means like Letter of Credit issuance, refinancing, factoring, leasing, etc.; provide financial information consultation and wealth management agency service.
<b>More Lending Support</b>	Steadily increase the proportion of SME lending to total lending, increase lending and diversified funding support to SMEs with sound credit record, market advantage, competitiveness, strong customer base and temporary operation and financial difficulties.
<b>Risk Management</b>	Develop credit risk management tools with SME loans as the underlying asset to effectively disperse SME credit risks.
<b>Financing information surveillance</b>	Step up SME funding data collection and information submission, probe to establish a dynamic funding information surveillance system that caters to SME characteristics, to ensure timely access to SME financial service information



## Solving SME financing difficulty by insurance mechanism


**Insurance is a feasible mechanism to cover marketization risks, since it can directly reduce banks' credit risk, and scatter risks through professional risk management.**

- 1

Insurance can provide risk coverage for SMEs, and introduce to SME scientific risk management mechanism, improving their risk prevention ability, overall ability and credit level.
- 2

Develop credit insurance to expand SME funding support. Credit insurance for micro credit without collateral and guarantee should be developed to provide insurance support to SME funding.
- 3

Actively innovate insurance mechanism, focus on insurance product innovation for SMEs and roll out insurance products that can meet the actual needs of SMEs.



## Promote private financial credit mechanism with multiple forms

U1

Develop private lending agencies association to provide necessary information and legal consultancy service to the lenders and the borrowers, and to strengthen self-discipline and institutional arrangement of private lending agencies.

U2

Set up a private lending credit guarantee mechanism, and approve the setting up of private lending guarantee agencies; allow SME investment companies to be engaged in guarantee business to solve the mismatch between incentive and restriction of guarantee agencies, encourage and support the healthy development of private guarantee agencies.

U3

Integrate private financing sector by market means like joint-stock and cooperative arrangement to enhance the overall quality of the sector; encourage un-official financing agencies to form regional credit alliance organization, establish and enhance the institution and mechanism of such alliance organization; fourthly, encourage some alliance organization to gradually transform into community banks or commercial lending agencies.



## Promote innovation of SME finance forms

Actively promote supply chain financing


Supply chain financing looks at SMEs as an integral and interactive part of a supply chain from the perspective of fund flow, and solves the funding difficulty of SMEs within the framework of the strengthen of the core enterprise.

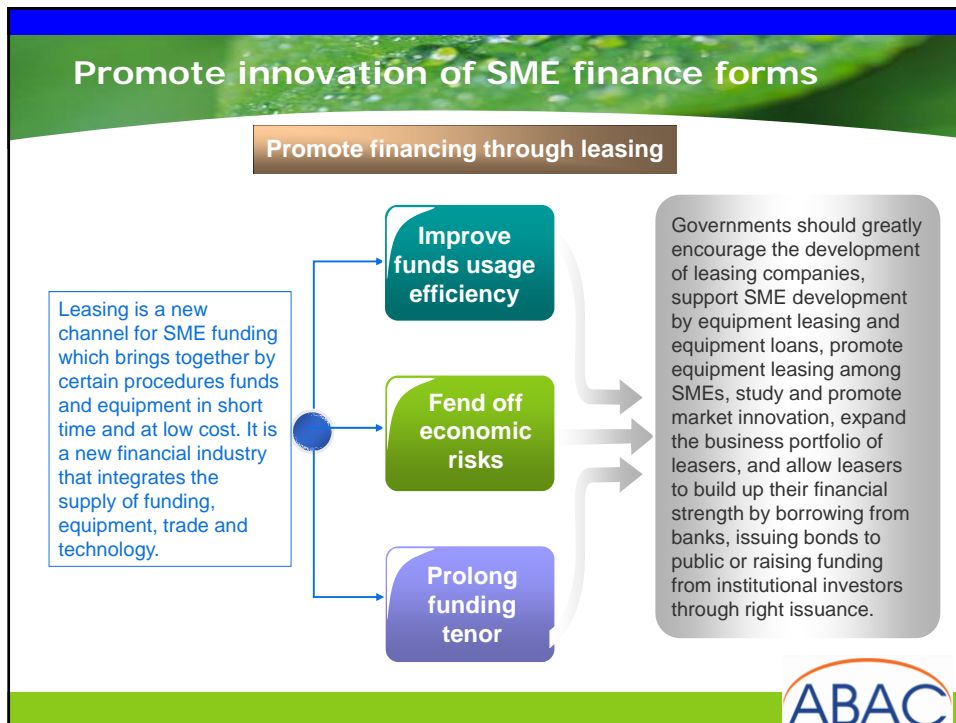
Speeds up the turnover of goods stock and accounts receivable, improves cash flow

Facilitates the synergetic flow of goods and fund and improves the financial management efficiency of supply chain

Banks can also reduce their credit risk by keeping a watch on the operational situation of corporations

Supply chain financing is an innovation in SME funding and it provides a way out of the bottleneck in the philosophy and technique of SME funding. The cost-to-income ratio is improved through a group buying style development and risk control model, and scale of economy is achieved.







Document: SMMEEWG 33-003  
Draft: **SECOND**  
Source: ABAC China  
Date: 10 January 2013  
Meeting: Manila, Philippines

## Meeting Document Summary Sheet

<b>Document Title:</b>  Report of China APEC SME Summit
<b>Purpose:</b>  For Information
<b>Issue:</b>  Progress of APEC SME Summit in China
<b>Background:</b>  The fifth Annual APEC SME Summit (China) was hold in Hainan, China from Dec 8 <sup>th</sup> to 10 <sup>th</sup> . Program including following issues: Innovation, Transformation, Branding, Logistics, Mobile Internet, Ocean Energy, Multinational Corporation in China, Fashion Industry etc.  More than 700 SME representatives attended the event.
<b>Proposal /Recommendations:</b>  <ul style="list-style-type: none"><li>• For information</li></ul>
<b>Decision Points:</b>  <ul style="list-style-type: none"><li>• Notice the information above</li></ul>

## Meeting Document Summary

<b>Document Title:</b>  Promoting Entrepreneurship: Chile START-UP Program
<b>Purpose:</b>  For information
<b>Issue:</b>  Chile will present a program that Promotes the Creation of New Businesses and Business Models by encouraging entrepreneurship and innovation. The Start-Up Program gives incentives to young entrepreneurs from all around the world to develop innovation in Chile.
<b>Background:</b>  In 2010 a program named “Start-Up Chile” was settled by the Government of Chile. The purpose was to attract high-potential entrepreneurs whose startups are in early stages, to be installed in and use Chile as a platform to project to the world.  The program wants to attract world-class young entrepreneurs to develop their projects in Chile, sharing these projects with local entrepreneurs and students, creating entrepreneurial ecosystem, attracting talent and, of course, connecting Chile with the poles of innovation and entrepreneurship globally.  Since the beginning, the program has been a success. 5.649 people from 70 countries have applied to the program, 888 of them from 36 countries have been selected.
<b>Proposal /Recommendations:</b>  <ul style="list-style-type: none"><li>• For information</li></ul>
<b>Decision Points:</b>  <ul style="list-style-type: none"><li>• For information</li></ul>

## APEC Women Leadership Forum 2013

**Document Title:**

APEC Women Leadership Forum 2013

**Purpose:**

For endorsement

**Issue:**

China to host the APEC Women Leadership Forum in 2013 to cultivate the spirit of entrepreneurship, nurture greater leadership and foster empowerment of women in business, civil society and government.

**Background:**

The APEC Women Leadership Forum will bring together outstanding and influential women from business, civil society and government to engage in dialogue on world's pressing issues, and the opportunities and challenges faced in business and global economy. The Forum aims to inspire and instill hope to the next generation of women who will shape the future of women in leadership and support women's economic empowerment in Asia Pacific region.

Importantly, the APEC Women Leadership Forum seeks to support the ABAC Women's Forum in strengthening the voice of business women within APEC framework, enhance intra-APEC collaboration, and inspire the next generation of woman entrepreneurs.

**Proposal/Recommendations:**

- ABAC China to host the first APEC Women Leadership Forum in late October / early November 2013.

**Decision Points:**

- Endorse the recommendations outlined above.

Document: SMMEEWG 33-006  
Draft: **FIRST**  
Source: ABAC China  
Date: 10 January 2013  
Meeting: Manila, Philippines

### Meeting Document Summary Sheet

<b>Document Title:</b>  Preparation of the 2 <sup>nd</sup> APEC Young Entrepreneurs' Summit (YES) in China
<b>Purpose:</b>  For Endorsement.
<b>Issue:</b>  Progress of organizing the 2 <sup>nd</sup> APEC YES in China
<b>Background:</b>  Under the theme "Future Belongs to Us", the first APEC YES in China was held in Beijing in Jun 2012 with more than 60 speakers from varies industries and 500 potential youngsters which including 40 grass roots NGOs.  With the outstanding outcome and to further enhance the influence of the event, ABAC China proposes to organize the 2 <sup>nd</sup> APEC Yes in May 4 <sup>th</sup> and 5 <sup>th</sup> . Relevant programs are being discussed and further progress will be reported in the next ABAC meeting.
<b>Proposal /Recommendations:</b>  <ul style="list-style-type: none"><li>• For Endorsement</li></ul>
<b>Decision Points:</b>  <ul style="list-style-type: none"><li>• Approve the information above</li></ul>

Document: SMMEEWG 33-007

Draft: **FIRST**

Source: ABAC China

Date: 10 January 2013

Meeting: Manila, Philippines

## Meeting Document Summary Sheet

**Document Title:**

Financial Products for Supply Channel of Global E-commerce

**Purpose:**

For Information

**Issue:**

ABAC China will study how to help SMEs get into global market through lower their logistic barriers in global E-commerce.

**Background:**

1. The global economics decreasing impact China traditional offline export business a lot. The amount of each transaction had been dropped off to a very low level.
2. The e-commerce solution can help those transactions to be done more easy and efficient.
3. Compare with the traditional trading, there are less financial product can support the e-commerce transaction.

**Proposal/Recommendations:**

1. What's the really benefit of the Financial product for the e-commerce transaction
2. Introduce the current financial products of existing model.
3. Introduce the ideally "all in one Financial and Logistic solution"

**Decision Points:**

Notice the information above.

## Meeting Document Summary Sheet

<p><b>Document Title:</b> SMME Trade Finance</p>
<p><b>Purpose:</b> For Consideration</p>
<p><b>Issue:</b> SMME Trade Finance / Impact of Basel III Implementation</p>
<p><b>Background:</b>          SMME and Trade are the main engines of the economic growth in the APEC region. Therefore, ABAC realizes SMME Finance and Trade Finance play the quite important role in the region.</p> <p>In the wake of the global financial crisis, the various financial regulations have been released and implemented for enhancing the stable and sound financial systems. However, ABAC was concerned that new financial regulations may have unintended and unpredictable consequences affecting its economic growth. In particular, ABAC pointed out that Basel III could have the negative impact on SMME Finance and Trade Finance. Based on this view, ABAC recommended to APEC Leaders in 2011 that Basel Committee should consider appropriate refinements to Basel rules on capital, leverage and liquidity with the low risk nature of Trade Finance.</p> <p>In this context, Basel Committee published the changes of the treatment of Trade Finance in 2011. But someone says the beneficial impact of these changes will be limited. Someone requests to Basel Committee the further attention and the careful consideration for SMME Finance and Trade Finance.</p> <p>ABAC would like to review the situation after 2011 and consider the next steps for promoting SMME Finance and Trade Finance.</p>
<p><b>Proposal /Recommendations:</b></p> <ul style="list-style-type: none"> <li>• ABAC should discuss and consider the next steps for minimizing the negative impact and promoting SMME Finance and Trade Finance.             <ul style="list-style-type: none"> <li>e.g. - ICC's further survey on trade finance risk supported by Basel Committee</li> <li>- Further refinement to Basel III for Trade Finance</li> <li>- Moderated approach of Basel III</li> <li>- Considered implementation of Basel III with the actual state of each economy</li> <li>- Cooperation and close relationship with ECA, ADB, IFC etc.</li> <li>- Introduction of the incentives like Tax Incentive to the banks that are active in SMME Finance and Trade Finance</li> </ul> </li> </ul>
<p><b>Decision Points:</b></p> <ul style="list-style-type: none"> <li>• Endorse the recommendations outlined above.</li> </ul>



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## **SMME Trade Finance Impact of Basel III**

**January 22, 2013**

**ABAC Japan / Yoshihiro Watanabe**

**Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.**

### **Survey on SMME Trade Finance**

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- Review : ABAC FEWG Discussion
- Review : ABAC Recommendations in 2011
- Nature of Trade Finance
- Statistical Analysis by ICC-ADB
- Treatment of Trade Finance by Basel Committee
- Basel III : Impact on Banking Sector
- Basel III : Impact on Trade Finance
- Recommendations
- APEC SME Summit in Kyoto - July 2013 -

## Review : ABAC FEWG Discussion

### ◆ Improving SMME access to finance

- SMMEs' financing challenges not solved and bigger than in the global financial crisis of 2008
- With not solved in the long run, a negative impact on the comprehensive, coordinated and sustainable growth of the economy
- Support to solve SMMEs' financing difficulties

### ◆ Enhancing capacity building

- Financial inclusion for SMME and micro enterprises
- Start up Stage
  - Angel / Venture Capital
  - Private equity
- Commercial Bank
  - Secured lending
  - Asset-based lending (inventory, account receivable)
  - Trade finance
- Micro finance
- Micro deposit, lending and remittance

3

## Review : ABAC Recommendations in 2011

### ◆ Negative impact of Basel III on SMMEs

- Potential to impact the availability and cost of trade finance
- Unintended consequence of worsening trade finance conditions and access for SMMEs

### ◆ Recommendation to APEC and Basel Committee

- Pay attention to the Basel rule's risk weighting of trade finance to ensure that SMMEs are not disadvantaged in any way

4



## Nature of Trade Finance

### ◆ General understanding : Low risk transaction

~Historically, trade finance has been considered a low-risk, routine operation ~

- Fixed and short-term maturity
- Backed by exchange of goods or services between a willing buyer and a willing seller
- Settled by cash on maturity

### ◆ Problem : Lack of data

~Historically, there has been little empirical evidence ~

- Basel rules do not reflect the low-risk profile of trade finance

5

## Statistical Analysis by ICC-ADB

### ◆ International Chamber of Commerce

*Report on findings of ICC-ADB Register in Trade & Finance - September 2010-*

- Established to pool the performance data of trade finance
- Total 5,223,257 transactions (USD 2.5 trillion) of global 9 banks between 2005 – 2009

Transaction type : Import Letter of Credit issuance  
 Export confirmed Letter of Credit  
 Guarantees and Stand-by L/C  
 Import Loans and Export Loans

6

## Statistical Analysis by ICC-ADB

### ◆ Features of analysis

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>➤ Short tenor</li> <li>➤ Low default</li> </ul>                                     | <p>Average 115 days<br/>1,140 defaults<br/>(Default rate 0.0218%)</p> |
| <ul style="list-style-type: none"> <li>➤ Good recovery rate</li> <li>➤ Few defaults through the downturn period</li> </ul> | <p>59.7%<br/>445 defaults (USD 2.8 mio)<br/>between 2008 - 2009</p>   |

→ Data pooled in ICC-ADB Report showed the low risk nature of trade finance transactions

7

## Treatment of Trade Finance by Basel

### ◆ Basel Committee

*Treatment of trade finance under the Basel capital framework - October 2011 -*

~Basel III capital framework for trade finance amended by issuing two waivers~

- Waive the one-year maturity floor for L/C transaction under the advanced internal ratings-based approach for credit risk
- Waive the so-called sovereign floor for trade finance related claims on banks using the standardized approach for credit risk

→ Reduce capital requirements for banks engaged in trade finance

→ Basel III credit conversion factor not amended due to Basel's view "ICC's insufficient analytical evidence"

8

## Basel III : Impact on Banking Sector

### ◆ Basel Committee

*Results of the Basel III monitoring exercise as of December 31 2011 - September 2012 -*

- 209 Banks / 102 Group 1 Banks & 107 Group 2 Banks
  - Group 1 : International bank and Tier 1 capital in over EUR 3 billion
  - Group 2: All other
- Capital shortfall of International banks EUR 374.1 billion

	Minimum		Minimum plus Capital conversion buffer	
	Capital ratio requirement	Capital shortfalls (EUR Bio)	Capital ratio requirement	Capital shortfalls (EUR Bio)
<b>Group 1</b>	4.5%	11.9	7.0%	374.1
<b>Group 2</b>	4.5%	7.6	7.0%	21.7

Source : Basel Committee

9

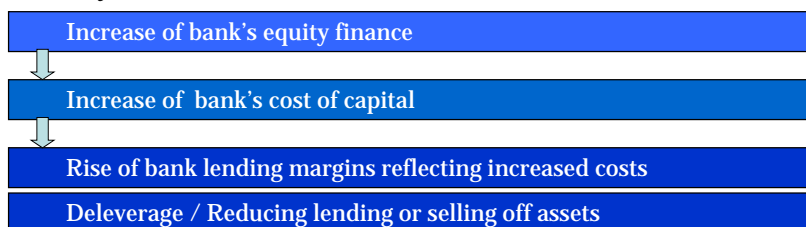
## Basel III : Impact on Banking Sector

### ◆ Basel Committee

- Liquidity coverage ratio of International banks 91%  
Liquidity coverage ratio shortfall EUR 1.8 trillion
- Net stable funding ratio of International banks 98%  
Stable funding shortfall EUR 2.5 trillion

### ◆ Concerns about negative impact on the economy

*Possibility*



10

## Basel III : Impact on Trade Finance

### ◆ Current Situation

~Further treatment of trade finance under Basel rules still requested~

- BAFT-IASA - December 2011 -

*Letter "Trade Finance - Key concerns and recommendations for the Basel Framework" dispatched to Basel Committee*

\*BAFT : The Bankers' Association for Finance and Trade  
IASA : The International Financial Services Association

- International Finance Corporation - June 2012 -
- APEC Finance Ministers Meeting - August 2012 -

*Concerned about the disproportionate higher capital requirement for trade finance under Basel III and the withdrawal / shrinkage of European banks' trade finance activity*

→ If the cost of capital of a low-risk / low-margin activity like trade finance is the same as a higher-risk / higher-margin activity, banks could naturally move towards not trade finance but the higher-margin business.

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## Basel III : Impact on Trade Finance

### ◆ Volume of trade finance 1Q - 3Q 2012

- USD 123.9 billion  
8% down from USD 134.8 billion 1Q - 3Q 2011
- Leading bank           The Bank of Tokyo-Mitsubishi UFJ  
Position up               Asian banks  
Position down           European and American banks

Rank	Bank	Share (%)
1	Bank of Tokyo-Mitsubishi UFJ	5.9
2	HSBC	5.2
3	JP Morgan	4.7
4	Citi	3.8
5	BNP Paribas	3.6
6	Deutsche Bank	3.6
7	ING	3.5
8	SMBC	3.1
9	Mizuho	2.9
10	State Bank of India	2.6

Source : Dealogic

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## Recommendations (to be discussed)

- ◆ **Basel Committee**
  - Support further ICC's work to strengthen data on trade finance and take advantage of the analysis effectively
  - Pay further attention to the Basel rule's risk weighting and waivers of trade finance for SMMEs
- ◆ **Financial Regulators**
  - Consider the moderated approach to Basel III with the careful watch of the economic situation, the market condition and the SMME finance activity
  - Implement Basel III with the discretion of each economy following the actual situation
- ◆ **ECA / ADB & IFC**
  - Support the trade finance for SMMEs
  - Discuss the risk of private-owned ECA for regarding as sovereign risk
- ◆ **Incentives**
  - Apply the tax incentives for the banks engaged in trade finance and SMME finance actively

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## APEC SME Summit in Kyoto

- ◆ **Date**

July 8, 2013 AM9:00~
- ◆ **Concept**

KIZUNA - Collaboration with Innovation & Technology  
~ *Building cooperation and collaboration between  
small & medium enterprises in Kyoto and in APEC region* ~
- ◆ **Program**
  - Road to Success
  - Access to New Markets
  - Access to New Technology

➔ Gratefully looking forward to the participation of ABAC members and staffs in APEC SME Summit in Kyoto

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Thank you for kind attention

**ABAC Japan / Yoshihiro Watanabe**  
**Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.**

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### Meeting Document Summary Sheet

<b>Document Title:</b>  APEC Start-up Accelerator (ASA) Initiative
<b>Purpose:</b>  For information
<b>Issue:</b>  Promoting entrepreneurship in the Asia-Pacific region.
<b>Background:</b> <p>The APEC Start-up Accelerator (ASA) is an event platform that strengthens access to finances and investments and international markets for innovative SMEs and start-ups through mentorships from managerial, financial, and technical experts in the private sector. It builds on existing early-stage APEC startup programs and provides support for more matured start-ups in the global markets.</p> <p>The ASA is a private-public sector collaboration dedicated to the business development of APEC start-ups. To carry this out, the ASA will create committees comprised of public/private sector and academic delegates. It complements all 3 major priorities set in the SMEWG Strategic Plan 2013-2016: Building Management Capability, Entrepreneurship and Innovation; Financing; and Business Environment, Market Access and Internationalization.</p> <p>The inaugural ASA will be a two-day forum that takes place in Taipei in August 2013 and plans to rotate annually among participating member economies. Day 1: ASA Demo Day Day 2: Start-up Leadership Summit (SLS)</p>
<b>Proposal / Recommendations:</b> <ul style="list-style-type: none"><li>• ABAC should support the ASA initiative to promote start-ups.</li><li>• ABAC members should attend the ASA event in August 2013</li></ul>
<b>Decision Points:</b> <ul style="list-style-type: none"><li>• Endorse the recommendations outlined above.</li></ul>



**APEC Start-up Accelerator  
(ASA) Initiative**  
Promoting Entrepreneurship in APEC Region


Chinese Taipei  
ABAC I (Manila) Meeting  
January 22, 2013

The graphic features a silhouette of an airplane flying upwards, leaving four vertical streaks of color (red, blue, yellow, and pink) behind it. The text is centered to the right of the airplane.

### Start-ups Are Key to APEC Prosperity

Start-ups, entrepreneurship, innovation are essential to economic prosperity of the APEC region.

- Playing a key role in industry structure.
- Developing foreign trade, creating foreign exchange and employment opportunities.
- Providing remarkable contributions to building up a middle-class in society.
- Continuously supporting economic development and stabilizing society.



The diagram shows a cycle of three orange arrows forming a triangle. The top arrow points right and is labeled 'Economic Development'. The bottom arrow points left and is labeled 'Job Creation'. The right arrow points down and is labeled 'Social Stability'. To the right of the cycle is the APEC logo, which consists of a globe with the letters 'APEC' in the center, and the text 'Asia-Pacific Economic Cooperation' below it.

**APEC**  
Asia-Pacific  
Economic Cooperation

2



## Linking ABAC 2013 Work Program

- Deepening regional economic integration
- Promoting infrastructure and sustainable development
- **Fostering SMME development and entrepreneurship**
- Promoting the development and integration of financial markets

**ABAC SMMEEWG 2013 Focus**

- Promoting the creation of new businesses and new business models
- Facilitating the use of internet technologies to facilitate SME access to international markets
- Promoting sustainability of businesses, in particular access to finance


**Entrepreneurial and start-up events with the above focus are essential for APEC region.**

Creation of New Business

Access to Int'l Markets

Access to Finance


**ABAC Theme: Partnership, Resilience and Bridges to Growth**



3

## ASA Initiative Background

Start-ups are the driving force behind structural changes and sustainable economic growth and prosperity of the region.



**2013 APEC Priorities**

**2013~2016 APEC SMEWG Strategic Plan**

**2013 APEC SMEWG Sub-Theme**

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Sustainable Growth with Equity

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Enhancing SME's Global Competitiveness

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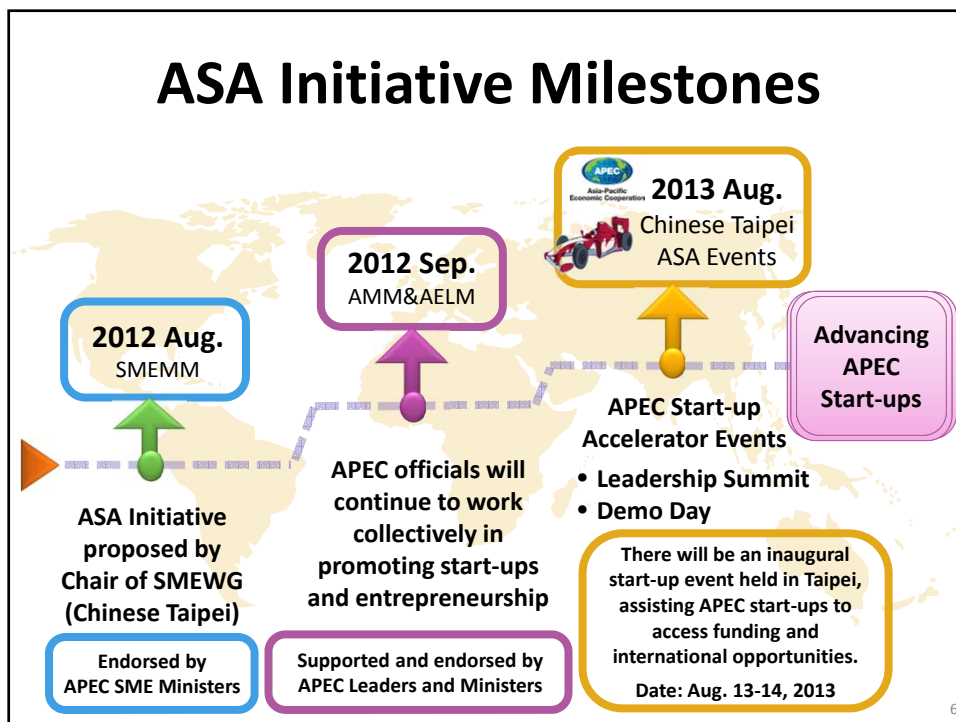
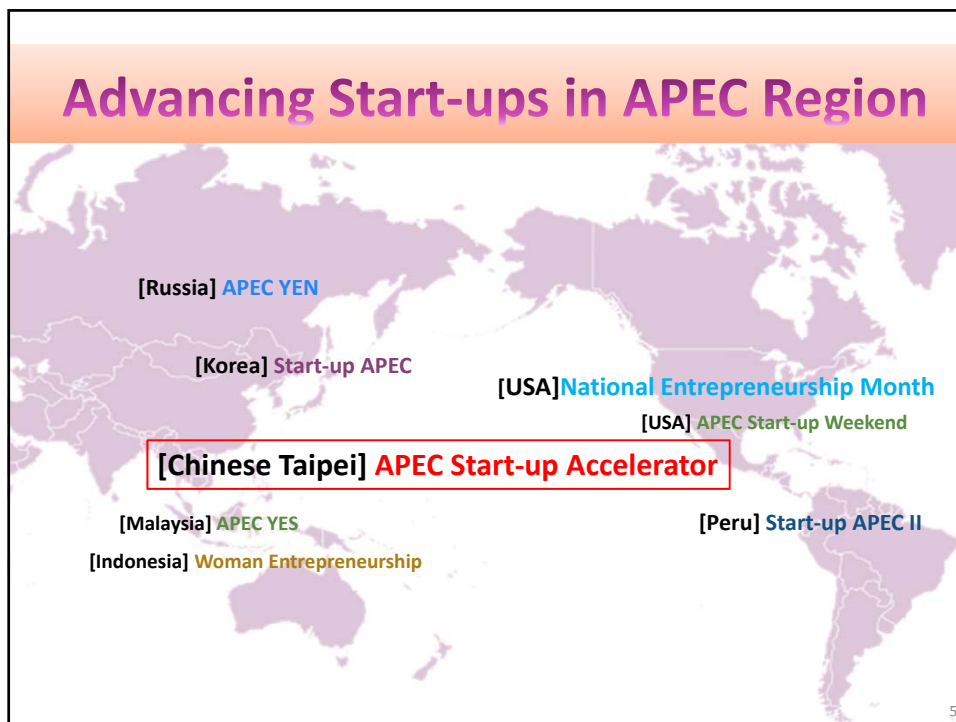
Building Management Capability, Entrepreneurship, and Innovation

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Entrepreneurship Development for SMEs



4



## Endorsement by APEC Leaders and APEC Ministers

### 2012 APEC SMMEM

24 “ We endorse the [APEC Start-up Accelerator Initiative](#) to assist and promote start-up development in the APEC region, and encourage further collaboration between member economies to implement the initiative. ”

### 2012 APEC AMM

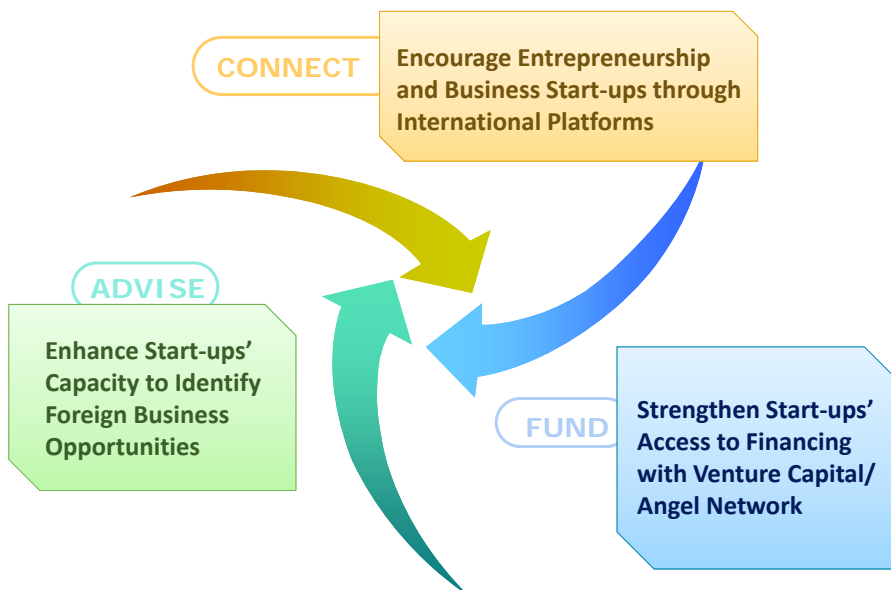
48 “ We also welcome the [APEC Start-up Accelerator Initiative \(ASA\)](#) and encourage more collaboration among member economies on the YEN and ASA to assist and promote start-up development in the APEC region. ”

### 2012 APEC AELM

“ We note the importance of assisting SMEs at an early stage, and giving wider opportunities for youth and women. Given the significance of start-ups and young entrepreneurs to economic growth in the Asia-Pacific region, we support the implementation of the Young Entrepreneurs Network (YEN) and APEC [Start-up Accelerator Initiative \(ASA\)](#). ”

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## ASA Initiative Overview



8

## ASA Initiative Overview (Cont.)

### Objectives:

- 1 Seek to facilitate the development of innovation while promoting entrepreneurship.
- 2 Implement capacity building activities.
- 3 Connect to high profile entrepreneurs and successful start-ups.
- 4 Link with angel and venture capital funding, and high level executives.
- 5 Provide access to mentorships and funding through events, communities and exchange programs.

### Beneficiaries:

#### For Entrepreneurs and Start-ups:

- Better accessibility to established mentors and funding.

#### For Private Sectors:

- APEC businesses to acquire and/or fund start-ups that are related to their own strategic interests.

#### For Government Officials:

- Enhance more cooperation between private and public incubators.

## ASA Initiative Summit

### Leadership Summit 13<sup>th</sup> August 2013

- **Invitation-Only Event for 200 people**
- **Key Participants**  
Start-up CEOs / Senior Entrepreneurs / Venture Capitalists / Angels / Officials / Industry Influencers

### ASA Demo Day 14<sup>th</sup> August 2013

- **Open-to-Public Event for 400 people**
- **Key Participants**  
Start-up CEOs / Judges / Advisory Board / Venture Capitalists / Angels / Officials

**We look forward to your support and participation!**

## ASA Leadership Summit

### APEC Start-up Accelerator Day 1: Leadership Summit

Date: August 13, 2013

Start-up Leadership Summit for 200 international delegates offers deal-making opportunities, peer-level executive networking, mentorship for start-ups, and collaborative roundtable discussions.

**Track 1: Borderless Pursuits (Internationalization)**

- Bridging Local Innovation and Global Needs

**Track 2: Corporate Disruption (Innovation)**

- A Bit Disruption Will be a Thousand Little Things

**Track 3: A Smarter World (Mobile Application)**

- Smart Health and Homes: New Opportunities in an Interactive World



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## ASA Leadership Summit

### APEC Leadership Summit

09.00-17.30	Pre-registered 1-on-1 Mentorship
09.00-09.15	Opening Remarks
09.15-10.00	Keynote Speech 1: Internationalization - Borderless Pursuits
10.00-10.45	Track 1: Growth across Markets Track 2: Innovation from Below: the View from the Maker Track 3: Growing Pains of HealthTech
10.45-11.15	Break
11.15-12.00	Keynote Speech 2: Innovation - Corporate Disruption
12.00-14.00	Networking Lunch & Sponsored Briefings
14.00-14.45	Track 1: Walking the Walk; Funding "Change" Track 2: Innovation from Above: the View from the Mover Track 3: After the Mobile Revolution: What's Next?
14.45-15.15	Break
15.15-16.00	Keynote Speech 3: Application - A Smarter World
16.00-16.30	Closing Remarks
18.00-19.00	Leadership Delegate Summit (Cocktail Reception)

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# ASA Demo Day

## APEC Start-up Accelerator Day 2 : Demo Day

Date: August 14, 2013

Hand-selected early- and growth-stage start-ups will present before an international panel of expert judges and investors, around 400 attendees.

- Pitch Session 1: Seed-stage Start-ups
- Pitch Session 2: Early-stage Start-ups
- Pitch Session 3: Growth-stage Start-ups
- Farewell Dinner & Awards Ceremony



### APEC Startup Accelerator DEMO Day

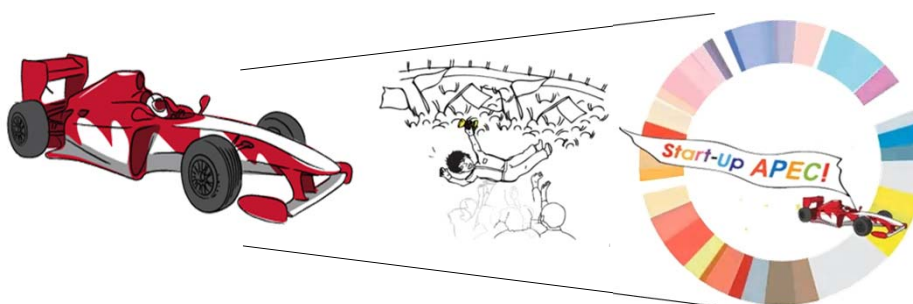
08.00-18.00	Delegate Registration
09.00-09.15	Opening Remarks Minister of Economic Affairs
09.15-09.45	Opening Keynote Marissa Mayer, CEO, Yahoo! (TBC)
09.45-10.00	Break
10.00-12.30	Pitch Session 1: Seed-stage Startups
12.30-13.30	Lunch
13.30-13.50	Fireside Chat with Steve Chen, co-founder, YouTube (TBC)
13.50-16.20	Pitch Session 2: Early Stage Startups
16.20-16.35	Break
	Pitch Session 3: Growth-Stage Startups
16.35-18.15	Big Data/Commerce Startup Pitch HealthTech Startup Pitch
19.00-21.00	Farewell Dinner & Awards Ceremony & Closing Remarks

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## FOR MORE INFORMATION, PLEASE VISIT:

[www.apecaccelerator.org](http://www.apecaccelerator.org)

(registration will open to the public in March)



## Meet You in Taipei Soon!

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